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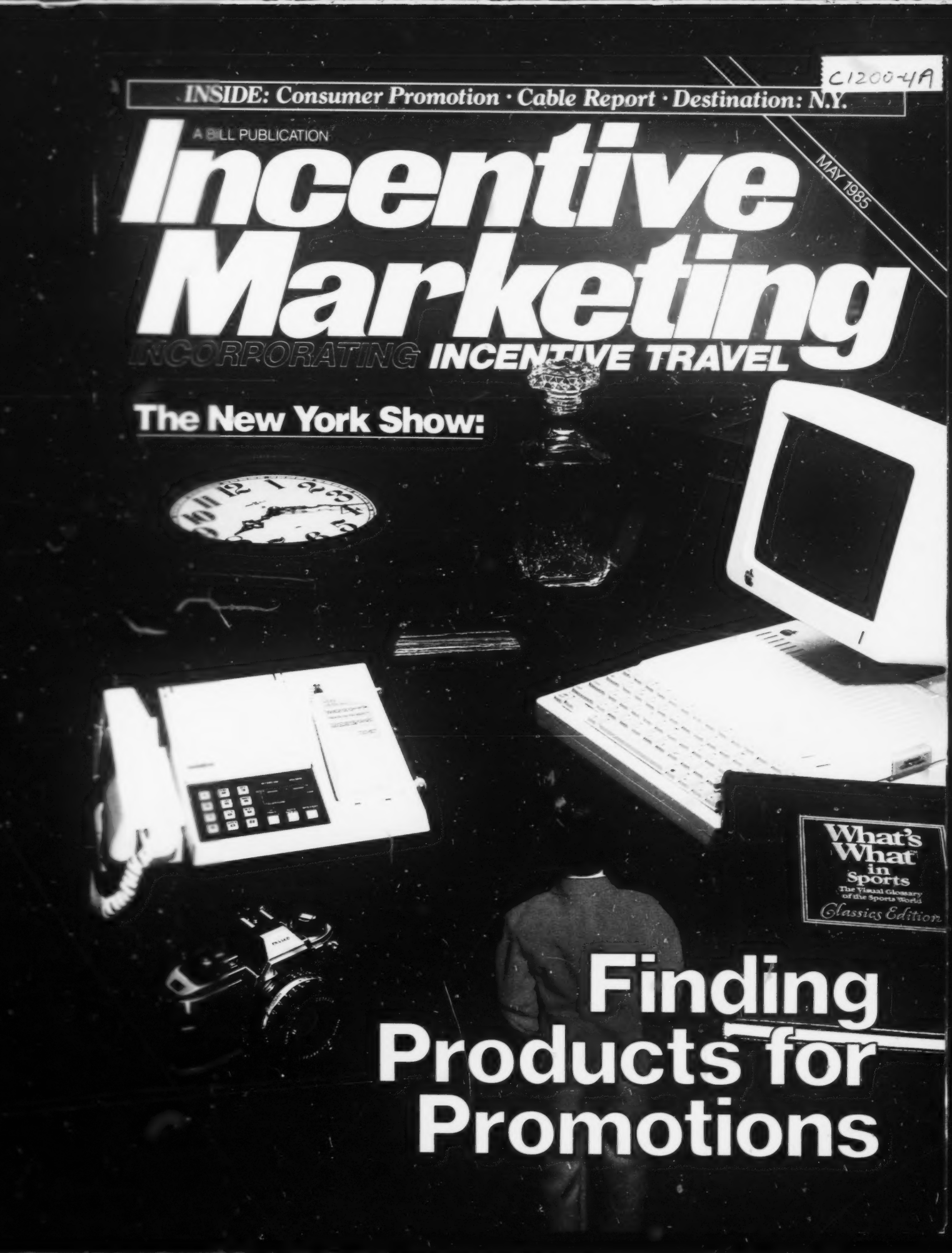
# Incentive Marketing

INCORPORATING INCENTIVE TRAVEL

MAY 1985

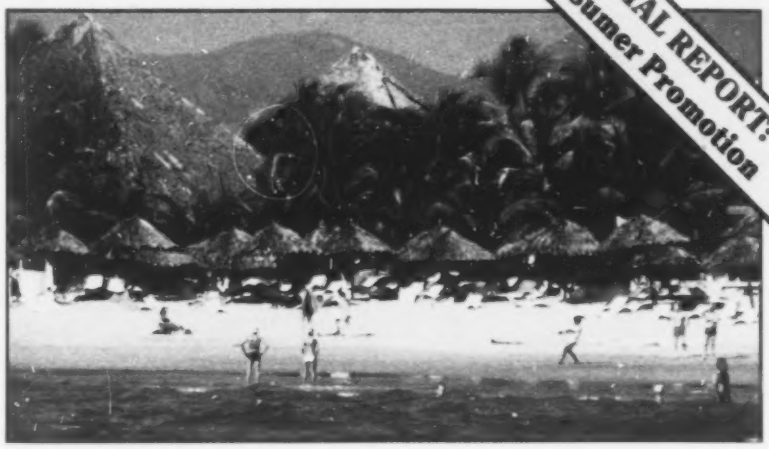
## The New York Show:




# Finding Products for Promotions

SPECIAL REPORT: Consumer Promotion

# May 1985



*The sun is up, the peso is down and many incentive groups are flocking south of the border to Mexico. See page 85 for details.*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FACTS UPDATE

# Consumer Promotion

***Survey respondents indicate that 1985 consumer premium outlays are up 15.5 percent.***

After some tentative tests of strength in 1984, consumer promotion marketers have become more aggressive. Although the consumer field had a healthy comeback last year in the post-recession build-up, it lagged a bit behind the pace of trade incentives. This trend may be shifting in 1985, according to **Incentive Marketing's** just-completed special survey of consumer premium users.

Last year's estimate of consumer incentive expenditures showed an 11.5-percent dollar growth for the year, a welcome change from years of stagnation. But the forecast still looked fairly gloomy in comparison with a 16.6-percent increase in spending for trade promotion.

The marketers responding to the latest survey show their consumer premium outlays are up about 15.5 percent over 1984, while early indications are that trade spending may cool a little.

All six product promotion premium techniques are running well ahead of their solid 1984 growth rates, acccording to the preliminary findings in this initial survey. Last year's overall estimate of consumer incentive activity showed a uniform across-the-board expansion, with mail-in promotions up 11.5 percent, direct premiums up 11.2 percent and retail promotions 11.6 percent ahead of the previous year. The total consumer promotion expenditure was almost $5.7 billion, about $585 million more than the sponsors spent in 1983.

Within the mail-in group, there was some variation in growth rates. Sweepstakes and contests ran ahead at 12.9 percent; self-liquidators were up by 11.7 percent and free mail-ins 10.6 percent. For other premium types, direct premiums led with a 13.2-percent increase, while factory-packs added 9.4 percent, and coupon plan users spent an extra 9.1 percent over the previous year's budgets.

Dealer incentives gained a bit more than consumer offers in 1984 (12.2 percent), but sales incentives, up 19.9 percent, posted the real standout performance. Early evidence indicates that both trade categories will expand well, though not matching last year's pace, during 1985. (A dealer incentive survey comparable with this one on consumer usage, reported in **IM**'s April issue, showed the selected group of users spending 10.2-percent more in 1985.)

In comparison, consumer premium users in the current survey anticipate spending 17.2-percent more for mail-in promotions in 1985 than last year, and about 13.7-percent more on direct premium types.

Free mail-in offers figure promi-

nently in these marketers' plans, with a projected total expenditure 23.1-percent above last year's. This growth would bring the free offers' dollar volume to a level equal to about 47 percent of what advertisers are spending for self-liquidators this year. In 1980, free mail-in volume equated to 42.5 percent of self-liquidator activity.

Sweepstakes and contests show a clearly upward trend, with these users forecasting 1985 spending 19.2-percent above their 1984 rate—which was up 12.9 percent from 1983.

Meanwhile, self-liquidators certainly have not remained dormant. The category passed the billion-dollar mark for the first time last year ($1.04 billion) with an 11.7-percent increase. Users of the method in this survey say they're now spending at a rate 14.2-percent higher than in 1984.

The special IM survey on consumer promotion concentrates largely on users' practices and experience with specific techniques. Questionnaires mailed to a cross-section of consumer premium users brought responses from 184 companies. Of these, 116 gave specific budget figures for both years: 1984 actual expenditures and 1985 estimates. It is this latter group that provides the comparison of expenditures used.

Although this user sampling is not precisely balanced along industry lines, the distribution is roughly parallel to the 1984 report. It does not suggest any major shift of usage among the industries.

***The top 10 user industries reflect little change from last year's rankings.***

The top 10 user industries in 1984 (see chart below) changed only slightly from the year before. The first five were unchanged; beyond that, automobiles and trucks moved ahead of electronics, radio and television; petroleum products dropped from eighth place to 10th, supplanted by building materials; office equipment moved up from 11th to ninth, and the ailing farm equipment industry dropped out of the list. Preliminary reports show that this alignment has not changed much.

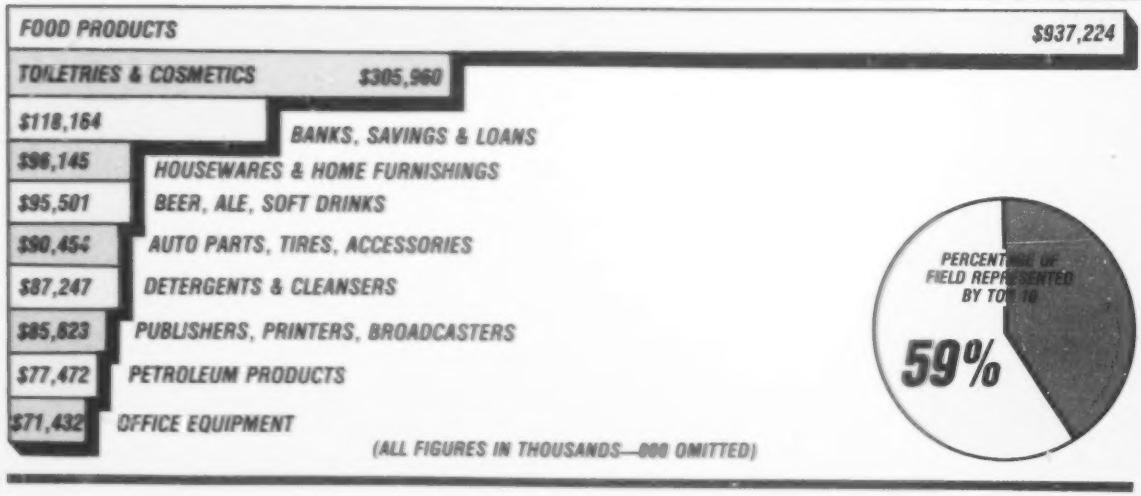
As a group, these companies are conducting more promotions this year than those reporting a year ago—an average of 7.3 mail-in offers versus last year's 4.6. Direct premium users list an average of 6.7, compared with 5.6 in 1984. However, the *median*—and more typical—number in each case is only three; both medians were four in the 1984 survey.

These executives break a promotion in September more often (27 percent) than in any other month of the year. April and March are next in popularity at 22 percent and 21 percent, respectively, while February is the quiet time when only 8-percent launch premium offers. The user calendar follows:

| | | | |
|---|---|---|---|
| January | 15% | July | 10% |
| February | 8% | August | 10% |
| March | 21% | September | 27% |
| April | 22% | October | 13% |
| May | 15% | November | 17% |
| June | 16% | December | 12% |

Measuring the effects of a consumer premium offer can be much more difficult than evaluating a sales or

## TOP 10 CONSUMER PREMIUM USERS (1984)



dealer incentive campaign, especially when the marketer goes through at least one intermediary on the way to the ultimate customer. Factory sales can be gauged better, but many respondents won't even guess at retail sales. Among those who do attempt to measure retail sales results, there is good news for 1984 and, so far, for 1985. After several years of hovering around the mid- and upper-teen level, their sales gain estimates in the two most recent surveys average in the 20-percent range: 20.8 percent and 20.4 percent, respectively. The components of the average, however, are quite diverse, depending upon the nature of each user's product and market, so that reports range from 3-percent to 100-percent increases in product movement at the store level.

Point-of-purchase advertising is a major influence on those retail sales. Displays promote premium offers, while premiums help attract attention to display materials. The surveyed executives said they expect an average of 58 percent of retailers to use their product displays in a non-promotion period.

The incentive's job is to push total participation upward, and they do so, according to the survey, by an average of 44-percent more displays used. This is an improvement from the 38-percent estimate of 1984.

Point-of-purchase display support ranks high among all media used by these firms to promote premium offers. It is listed as a medium most often used by 46 percent; only direct mail beats it, at 53 percent. A close third is daily newspapers, utilized by 44 percent.

On the average, these executives favor 2.3 types of media each, up from the 1.8 advertising vehicle average in last year's survey. After the three front-runners mentioned, other media rankings include TV and radio, 28 percent; consumer magazines, trade publications and Sunday newspaper supplements, 13 percent each; on-package advertising, 8 percent, and premium package bounce-back offers, 6 percent.

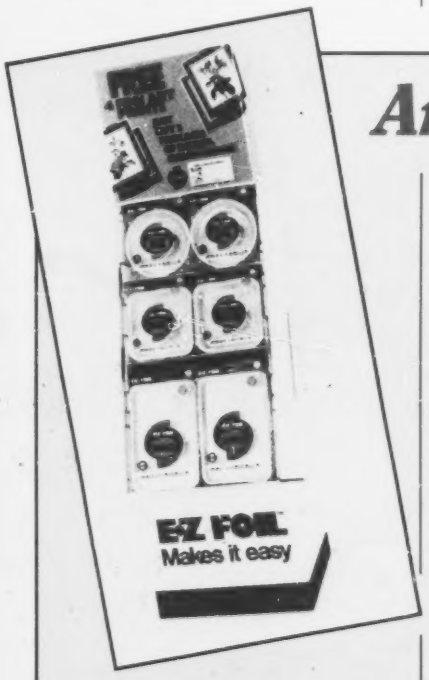
Emphasis on point-of-purchase displays as a medium can be a problem if a company relies almost entirely on it and, by the nature of the market, can use only a limited quantity. "Efficient use and evaluation of displays" is the challenge to a distiller who offers several $10 to $20 self-liqui-

## ADVERTISING RESPONSE RATES

*RESPONSES PER THOUSAND ADVERTISING EXPOSURES - MEDIAN*

| | PRINT | BROADCAST | PACKAGE | DISPLAY |
|---|---|---|---|---|
| Self-Liquidator Under $10 | 10 | 8 | 11 | 9 |
| Self-Liquidator $10 or More | 5 | 6 | 6 | 5 |
| Free Mail-In Offer | 15 | 10 | 16 | 10 |

*(Range of Reports From 1 per thousand to 200 per thousand)*




# Artfully done

**WHEELING, Ill.**—Marketers commonly use consumer promotions to draw consumer attention to product displays, as evidenced by a recent offer sponsored by EZ POR Corporation, maker of EZ FOIL aluminum cookware, which offered consumers four free art prints with purchase of two packages of EZ FOIL baking pans.

The $10 retail value floral prints were selected because of their popularity in previous promotions, according to Peggy Fagan, advertising and sales promotion manager.

"Our objective was to get more customers to stop by our display, particularly new customers," said Ms. Fagan.

EZ POR supplied in-store shelf display materials, tear pads and ad slicks to help retailers promote the offer. The promotion was designed to take advantage of the increased baking activities that surround Easter and Passover.

In another spring promotion, EZ POR offered consumers the chance to win a $10,000 "dream kitchen" refurbishment in return for two UPC codes from EZ FOIL packages, one of which had to be a roaster. Lower level prizes included a Whirlpool Top Mount Frost-Free Refrigerator/Freezer and two Magic Chef Deluxe Microwave Ovens.

Chicago-based advertising agency Albert J. Rosenthal & Company aided EZ POR with program planning. ■

*Green Giant's customized telephone premium carried an attractive price—and a hefty postage and handling charge.*

***Self-liquidators, which accounted for $1.04 billion in 1984 volume, attracted 31 percent of last year's allocations. This year, marketers say they're spending 14.2 percent more.***

dators a year through store displays with little other ad support. "The quantities we produce," he points out, "are limited—usually around 5,000 displays. There probably are well over 100,000 package stores; some would be lucky to sell one bottle of our product in a week, while others can sell 100 cases or more. Sales or program effect are related to where the displays ultimately go, and we have difficulty dictating that because of the three-tiered distribution system.

"With a three-to-four-week program duration, we do a lot on professional experience. Hard data could cost more than several programs and perhaps not apply to the many types we do in a year." In the right outlets, the firm's liquor sales usually double during a promotion period.

Self-liquidators are rated among the best promotion types for getting displays used in stores. They were judged the best by 21 percent in this survey, second only to direct premiums—favored by 31 percent.

After some years of rising average self-liquidator prices to consumers, this survey shows the level receding slightly. A similar group of executives a year ago listed asking prices averaging slightly over $9, with a median of $6. This year's survey finds the average at $8.55 and median at $5. At the reported prices, the users confirm that "liquidation" is a relative concept; they recover an average of 93 percent of their premium costs. Some expect to recoup considerably less, while others aim for more than 100 percent, presumably hoping to recover a portion of supporting advertising costs as well.

# Going directly to the source

**NORTHLAKE, Ill.**—Most consumer promotion sponsors consult their incentive houses or sales promotion agencies for incentive product selection. But Dominick's Finer Foods, a chain of Chicago-area grocery stores, went halfway around the world to develop a unique premium of its own for a 1983 promotion.

Dominick's began planning its "China from China" promotion two years before the program broke. "We wanted to achieve a promotion that would be something really new, and we needed a quality item impossible to duplicate elsewhere, attractively priced," said Larry Nauman, vice president, advertising.

"One finds in the grocery business that when margins are low the grocer tries to go to the source of his supply to avoid the middleman," Mr. Nauman continued. "In 1981, China had just opened up exports to the United States. We went to the source for rock-bottom prices on real china."

Dominick's executives traveled to China, aided by an interpreter, and "put three businesses into business" to manufacture the china.

Dominick's originally planned to buy enough china for a continuity program for its 69 stores and for its Cleveland-based parent company Fisher Foods' continuity offer. The program was so successful, however, that Dominick's extended it 10 weeks past the planned six months and ran out of china before Fisher Foods ever saw any.

Consumers acquired the china by collecting 39 Dominick's stamps, each of which cost 59 cents with a $5 purchase, redeemable for a 30-piece service for six.

Dominick's runs continuity programs only once every couple of years, so the stamps were redeemable only for the china.

Dominick's spent between a quarter-million and a half-million dollars promoting the program through radio, television and newspaper ads produced in-house. ■

*—Steven Gofman*

***Promotion sponsors should be careful to match their premium techniques and products to achieve their marketing objectives.***

There is a joker of sorts in the seeming decline of average liquidating prices: there has been an increase in the number of users who require an additional amount to cover "postage and handling."

The survey question on recovery of costs referred to "total cost (premium, handling and mailing)." This, however, becomes ambiguous in the next question, in which almost half the marketers say they "state postage and handling as a separate charge to the consumer." This practice has grown rapidly. A few years ago, only 15 percent to 20 percent of self-liquidators carried such extra charges. In an IM survey of consumer promotion users in the dominant food industry in 1983, only 25 percent said they charge delivery costs separately. In last year's all-industry study, however, this had grown to 44 percent, and 47 percent of respondents to the latest survey said they issue such charges.

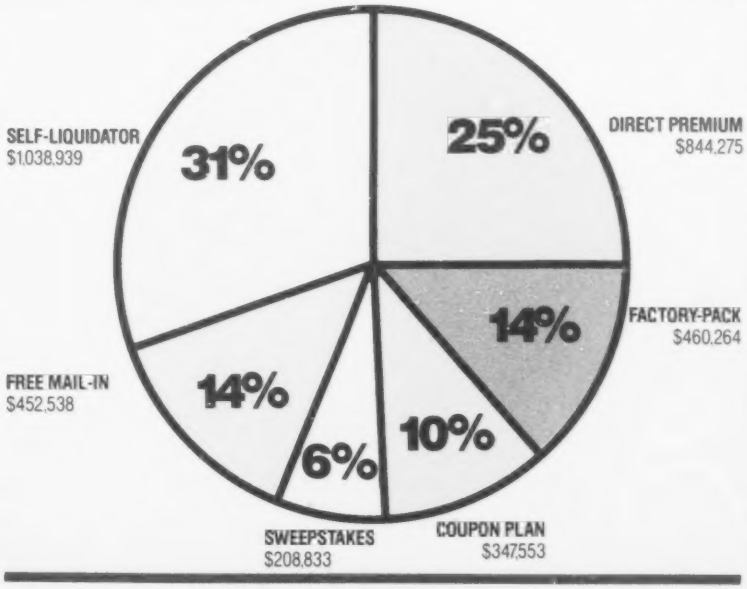
There is possible controversy here, as a promoter's desire to offer a good perceived value may stray toward deceptive advertising. Two ads appearing a few pages apart in a recent Sunday freestanding insert illustrate the potential problem. A Green Giant offer features a Little Green Sprout telephone for $19.95, "plus $2.50 postage and handling." It may be arguable whether the 12.5-percent surcharge in small type is more effective than a fully liquidating price of $22.45 would be.

The second ad draws the line more sharply. 7UP offers its familiar upside-down Uncola glasses: two for "only $2.00" with an asterisk. The asterisk in the bold type leads to the much smaller note, "Plus $1.60 shipping and handling." The consumer might be justified in asking whether an 80-percent surcharge for postage and handling makes this a reasonable statement of the offer.

Although the trend toward higher self-liquidating prices may have slowed, the executives in this survey clearly raised the price threshold above which they believe response is likely to drop. In a 1982 study, the average point was $11.35. By 1984, the survey showed the average respondent believed response would decline above a $17.85 price level. In the current reports, the estimates average $35.14. Only 2 percent of the liquidating prices mentioned by these marketers exceeded that point; 11 percent were above the previous average high point of $17.85.

## 1984 CONSUMER PREMIUM USAGE

*ESTIMATED EXPENDITURES FOR 6 PRINCIPAL TYPES* *(000 OMITTED)*




In free mail-in offers, the percentage of consumer expenditures represented by the cost of the premium has declined substantially, but so has the number of proofs-of-purchase required. A year ago, surveyed users said unit cost of the premium equaled 20.5 percent of the amount of retail purchases required to earn the item; the 1985 survey finds this reduced to an average of 11.9 percent. It was not many years ago that relatively high numbers of proofs-of-purchase were required, and many free offers took on the appearance of short-term coupon plans. By 1984 the average number of required proofs dropped to 2.7. This year it has declined further, to 1.6.

With another form of free offer, the factory-pack type of direct premium, an opposite shift has occurred in respondents' reports. Last year they said the cost of the on-pack, in-pack or container premium averaged 10.9 percent of the purchase price of the accompanying product. In the latest survey, that average has risen to 12.5 per-

***Direct premium use continues to grow as marketers respond to consumer demand for immediate gratification.***

cent of the retail price.

Another retail figure is important to many advertisers: the retail value of the premium offered. Although advertising of retail values has declined in recent years, a majority of 56 percent still prefers to state a retail value when possible.

In selecting consumer premiums, many marketers consider possible thematic tie-ins with the products they sell, and whether to use custom-designed items. In both cases, the question gets an affirmative vote by a majority of this year's survey respondents, a turnaround from a year ago when most did not consider either factor essential.

Now 52 percent say they "usually prefer" their consumer incentives to be related in use to the products with which they are offered—compared with 41 percent who wanted such a tie-in a year ago. And, while last year only 36 percent were inclined to demand custom designs, 55 percent of this year's respondents favor them.

A key part of the selection process for many executives is testing the premium before going to full-scale promotion. In this survey, 52 percent usually conduct tests, a shade below the 58 percent of respondents who tested last year. They indicate, on the average, that their tests provide a forecast of quantity requirements within plus or minus 17 percent, a much more accurate result than the plus or minus 28 percent found in the 1984 study. Most—55 percent—say they are satisfied with that degree of accuracy.

Testing every premium may be impractical, however. A Midwestern food wholesaler who runs about eight mail-in promotions and 10 direct premium offers annually notes that, while he conducts some testing and gets better-than-average accuracy, "We work mostly by the seat of our pants and plenty of hard experience. So far we are winning big. We have had some disappointments, but they didn't hurt too badly."

Lead time is another deterrent to testing in some cases. A California distributor who conducts many in-store promotions each year laments that "the lead time involved in getting new premium items to test is a major problem. Many times it takes 90 days to 120 days to test the product."

For those who do test premiums, personal interviews continue as the favorite technique, chosen by 53 percent. The closest competition comes from mail questionnaires or ballots and from bounce-back offers mailed with premiums in previous offers; both are used by 13 percent of the companies.

Selection ends with an order—and deciding where to place it. Buying direct from manufacturers is the preferred route for 41 percent of these executives. A close second, at 30 percent, is the incentive manufacturer's representative. The other choices are premium jobbers or wholesalers (14 percent) and advertising specialty distributors (12 percent). In only 3 percent of cases does an advertising or sales promotion agency figure significantly.

Whatever the source, there are always some gripes about the supplier's handling of premium sales. A common one was summed up succinctly by a manufacturer of prefabricated buildings. The problem, he said, is "suppliers not living up to promises, or even living up to good service." An industrial chemicals firm is disturbed about "response to demand . . . our last one was so great we ran out and it took over six months full-time to do everything."

CONTINUED ON PAGE 59

## CONSUMER PREMIUMS: WHAT THEY CAN DO

(% OF USERS IN 1985 SURVEY WHO CONSIDER EACH TECHNIQUE MOST EFFECTIVE FOR REACHING EACH GOAL)

| GET SHELF ATTENTION | | SELL-IN TO DEALERS | | BOOST REPEAT SALES | |
|---|---|---|---|---|---|
| THE BEST: | | THE BEST: | | THE BEST: | |
| FACTORY-PACK | 32% | DIRECT PREMIUM | 36% | DIRECT PREMIUM | 24% |
| FREE MAIL-IN | 17 | FACTORY PACK | 18 | COUPON PLAN | 20 |
| THE WORST: | | THE WORST: | | THE WORST: | |
| SWEEPSTAKES | 11 | COUPON PLAN | 12 | SWEEPSTAKES | 8 |
| **SALES TALKING POINT** | | **BUILD USER GOOD WILL** | | **GAIN AD READERSHIP** | |
| THE BEST: | | THE BEST: | | THE BEST: | |
| DIRECT PREMIUM | 31% | DIRECT PREMIUM | 24% | SWEEPSTAKES | 34% |
| FACTORY-PACK | 20 | SELF-LIQUIDATOR | 19 | FREE MAIL-IN | 26 |
| THE WORST: | | THE WORST: | | THE WORST: | |
| FREE-MAIL-IN | 11 | FACTORY-PACK | 8 | FACTORY-PACK | 5 |
| **OBTAIN STORE DISPLAYS** | | **SAMPLE NEW USERS** | | **COST-EFFECTIVENESS** | |
| THE BEST: | | THE BEST: | | THE BEST: | |
| DIRECT PREMIUM | 31% | FREE MAIL-IN | 38% | SELF-LIQUIDATOR | 42% |
| SELF-LIQUIDATOR | 21 | SELF-LIQUIDATOR | 19 | SWEEPSTAKES | 14 |
| THE WORST: | | THE WORST: | | THE WORST: | |
| COUPON PLAN | 8 | COUPON PLAN | 7 | COUPON PLAN | 10 |

CONTINUED FROM PAGE 52

A New York banker has a more basic complaint, beginning at the first contact. "I attend trade shows, order items for planning a program and never hear from half the vendors I meet at the shows. I explain how the products will be used, offer to pay for the samples, but the salespeople at these shows seem to have another purpose for being there. Thus planning, photographing, etc., become impossible; we wind up resorting to old standbys."

In fulfilling consumers' premium orders, 56 percent of these users process entirely in-house; the second-largest group, 26 percent, prefers to have a fulfillment house handle the entire transaction. Processing in-house to label stage, with a fulfillment house mailing the premiums, is the choice of 12 percent, and only 6 percent rely on suppliers for drop-shipment of premiums.

Selection, purchase and fulfillment of a consumer premium are all vital steps in the promotion cycle. But they grow out of a more basic decision: What type of promotion will best perform the job at hand?

The jobs for consumer premiums fall into eight slots, as represented in the table on page 52, plus a ninth measure: overall cost-effectiveness.

The **IM** surveys ask users to rate the six principal consumer incentive techniques for greatest effectiveness in reaching each goal. This year's reports show that the respondents' judgments agree with those in the 1984 survey with just three exceptions.

All three exceptions suggest a greater confidence in direct premiums. They have displaced free mail-ins as a winning choice for boosting repeat sales and customer good will and have edged out factory-packs for obtaining store displays.

As usual, the self-liquidator, judged second-best in three of the objectives, is the runaway favorite for overall cost-effectiveness, nominated by 42 percent of these executives. Sweepstakes, which otherwise shine only in gaining ad readership, run a distant second for cost-effectiveness, in the opinion of these marketers, with 14 percent giving the medium top billing.

These choices emphasize the importance of the first-step decision, pairing a promotion technique properly with the goal. If you want to improve shelf attention, these executives say, use a factory-pack, but don't even think of it for getting your ads read. And, while people will sit up and take notice of your advertising of a sweepstakes, forget it as a means to help repeat sales.

To balance such generalities, however, one must be aware of exceptions. After all, the biggest winners in these choices don't get a majority vote in any case.

Sometimes by following the rules, other times by bending them to a special need, these users are making consumer premiums work most effectively, and a large majority (61 percent) are spending more money to do it this year. ■

## *Boosting catalog orders*

**NEW YORK**—Because of the high cost of catalog mailings, companies that sell their products through direct mail need to find ways not only to single out qualified recipients but also to encourage customers to increase their purchase size. Several catalog users have discovered the power of added-value offers to achieve these objectives.

Spiegel, the huge Chicago-based catalog outfit, now charges $6 for its catalogs but includes in the price a Pierre Cardin tote bag, manufactured by Henry Rosenfeld Inc., Secaucus, N.J., to soften the blow. Spiegel customers can take $3 off their first Spiegel purchase to recoup the cost of the catalog so that they can take home the tote bag, a $20 retail value, for only $3.

According to David Katz, president of Henry Rosenfeld Inc., who acted as spokesperson for Spiegel, the catalog company will give away more than one million tote bags in the current promotion. He said the company chose the Pierre Cardin model to appeal to the upscale type of consumer it is trying to attract. He added that the $3 paid for the tote does not fully liquidate its cost but Spiegel is willing to pay to acquire more qualified buyers. Another factor in the decision to select a tote bag was the desire to offer a unisex gift, even though women represent the lion's share of Spiegel customers.

To encourage catalog customers to increase their purchases, many companies now offer gifts or discounted items along with select purchases. Avon Products Inc., New York, for instance, offers earrings, bracelets and neck chains valued between $9 and $11 to customers who select from a variety of jewelry items featured in a recent cosmetics catalog.

According to Jo-Anne Jaeger, vice president of communications for Avon, the company has used gift-with-purchase programs for years with good results. The company usually selects products which relate to its line, with cosmetic bags and organizers frequent options. Ms. Jaeger said that most items are offered free but are self-liquidating in that they go only to customers who make minimum purchases. ■

*—Bruce Bolger*